

Hawker Siddeley Canada Inc.

Revised January 6, 1986 (IC)
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cards on this Company

CUSIP Number 420128
Stock Symbol HSC

Head Office — 7 King St. E., Toronto, Ontario M5C 1A3

Telephone — (416) 362-2941

THE COMPANY, directly and through subsidiaries, is engaged in the manufacture of freight railway equipment, castings, forgings, forestry and sawmill equipment, and mining equipment; aircraft jet engine repair, overhaul and component manufacturing; the provision of graphic services, trailer repair services, and railway tank car leasing.

COMPARATIVE DATA									
Fiscal Year	Total Assets	L-Term Debt	Shldrs. Equity	Net Sales	Net Inc. Oper.	Earns. Per Sh.	Divds. Paid	Price Range	
								High	Low
			000's						
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1984....	389,243	58,899	189,191	411,514	19,468	2.29	0.96	20.00	15.88
1983....	426,635	63,407	182,952	445,348	15,056	1.75	0.96	21.00	14.13
1982....	395,220	70,591	179,517	425,562	12,905	1.48	0.96	15.00	7.38
1981....	439,803	76,958	180,997	638,987	14,657	1.70	0.96	29.00	9.50
1980....	466,968	78,325	174,025	547,037	24,639	2.92	0.96	29.50	15.00

CONSOLIDATED CAPITALIZATION AS AT DECEMBER 31, 1984

	Outstanding	%
Long-term debt	\$58,899,000	24
Preferred stock	140,000 shs. 14,000,000	6
Common stock	8,150,301 shs. 54,383,000	22
Unrealized foreign currency adj., loss	(11,879,000)	48
Retained earnings	132,687,000	

SUMMARY STATEMENT

Interim report for the nine months ended Sept. 30, 1985, showed a 25% decline in net income to \$10,137,000 or \$1.17 per share from \$13,456,000 or \$1.58 per share for the similar period in 1984. Sales rose marginally to \$292,279,000 from \$289,377,000. Funds generated from operations totaled \$7,770,000 compared with \$781,000 in funds absorbed by operations in the previous year. Railcar leasing and aero-engine segments showed gains. But the railway manufacturing units continued to face a depressed business environment combined with poor demand and highly competitive markets. Logging equipment demand continued to deteriorate, primarily in the United States, while sawmill equipment markets remained sluggish.

Net income rose 26% for the year ended Dec. 31, 1984, despite an 8% decline in revenue. Operating income from the mining equipment division experienced a more than 12-fold drop to \$1,207,000 in 1984 from \$14,806,000 in 1983 on revenues which dropped by 42% to \$72,154,000 from \$125,437,000 for the previous year. The disappointing figures resulted from the prolonged British coal strike. The steel castings and forgings division enjoyed a 31% increase in revenue. The forestry and lumber processing equipment division, which also recorded a 31% rise in revenue, experienced a strong start to 1984 that weakened as interest rates increased and housing starts dropped later in the year. Both segments saw a return to profitability from losses in 1983.

A \$32 million contract amendment was received by the company in October, 1985, from the federal government for the purchase of aircraft jet engine parts. The amendment raises the total value of the contract from the original \$15,000,000 to \$47,000,000. The parts will be used by Orenda in the repair and overhaul of engines which power the Canadian Armed Forces CF-18 Hornet aircraft.

N.B.—For quick reference data, see page 2.

THE FINANCIAL POST CORPORATION SERVICE

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QUICK REFERENCE DATA

Major Shareholder—Hawker Siddeley Group PLC, of the U.K., controls 4,816,646 (59.1%) of the outstanding common shares and 58,506 (41.79%) preferred shares.

Employees—The average weekly number of employees during 1984 was 3,927.

Incorporation—Dominion charter, September 1 1945; continuance July 1, 1980.

Auditors—Price Waterhouse, C.A., Toronto.

Fiscal Year Ends—December 31.

Annual Report Appeared—In April in 1985.

Annual Meeting—May 31 in 1985.

Listed—HSC, Toronto, Montreal and Vancouver Stock Exchanges.

Shareholders—At May 31, 1985, there were 830 preferred and 4,766 common shareholders.

Transfer Agent and Registrar—National Trust Company, Limited, Toronto, Montreal, Winnipeg and Vancouver.

FP 500 Ranking—185 by sales; 167 by assets.

COMPANY

The company is engaged, directly and through subsidiaries, in the manufacture of freight railway equipment, forgings, railway axles, railway and industrial wheels, mining, forestry and sawmill equipment and in the production of railway castings and precision castings in heavy duty metals for specialized applications; in the repair and overhaul of aircraft jet engines and manufacturing of their components; highway trailer repairs and parts services; the rental of railway tank cars, the provision of graphics services and research, design and test engineering.

SALES

Net sales by industry segment for the past two years have been as follows:

	1983		1982	
	\$000's	%	\$000's	%
Transport. & misc.	188,149	46	199,483	45
Mining	72,154	17	125,437	28
Castings & forgings ..	64,713	16	54,596	12
Forestry	86,498	21	65,832	15
	411,514	100	445,348	100

Note—Sales figures exclude inter-segment sales totaling \$13,578 for 1984 and \$4,893,000 for 1983.

Net sales, excluding inter-segment sales, by geographic segment for the past two fiscal years have been as follows:

	1984		1983	
	\$000's	%	\$000's	%
Canada	282,392	69	272,584	61
Europe	66,476	16	115,721	26
United States	62,646	15	57,043	13
	411,514	100	445,348	100

EARNINGS

Operating income (before interest and general corporate expenses, exchange gains, minority interest and income taxes) by industry segment has been as follows for the past two years:

	— 1984 —	— 1983 —
	\$000's	\$000's
Transport. & misc.	33,379	30,100
Mining	1,207	14,806
Castings & forgings ..	2,712	d335
Forestry	1,133	d2,131
	38,431	42,440

Operating income by geographic segment has been as follows for the past two years:

	— 1984 —	— 1983 —
	\$000's	\$000's
Canada	37,442	35,525
Europe	2,008	14,690
United States	d1,019	d7,775
	38,431	42,440

OPERATIONS

The company provides products and services in four major areas. Transportation and miscellaneous includes the manufacture of various types of freight and tank cars and the repair and overhaul of jet engines. The mining segment manufactures mining and tunnelling machines and roof support systems for construction of mine roadways and tunnels. Steel castings and forgings division services the railway, mining, energy and manufacturing industries. The forestry division provides lumber processing and logging equipment for the forestry and forest products industries.

Transportation

Can-Car Trailer Division, with operations in Rexdale, Ont. and Montreal, Que., distributes replacement parts for heavy trucks and highway trailers and carries out trailer repairs. In addition, truck bodies are manufactured to customer requirements. This division saw improvements in both sales volume and customer base during 1984 and benefited from the increased activity in the highway transportation industry.

Trenton Works Division, of Trenton, N.S., is a major manufacturer of railway freight and tank cars, railway axles, open-die forgings, circular forgings such as crane wheels and gear blanks, steel fabrication and custom machining. Market conditions for new rolling stock improved only slightly during 1984 as demands for additional cars were met in part from a surplus of freight cars which existed in the United States. Total freight and tank car output from Trenton Works while greater than in 1983, remained below capacity. Large orders received during 1984 included 860 covered hopper cars built for the Canadian Wheat Board, 379 freight cars shipped to Indonesia, and 170 tank cars built for lease by company subsidiary, CGTX Inc. to Shell Canada Ltd.

The Orenda Division, with a manufacturing facility in Mississauga, Ont., is active in two main areas: the manufacture under subcontract of aircraft jet engine components, and the repair and overhaul of aero engines for the Canadian Armed Forces. It also provides engineering design and laboratory testing services and graphic services.

The division reported a sound year with new and repeat business for the manufacture of major parts being awarded by leading aircraft engine manufacturers in Canada and the United States. Progress was

made with preparation for the repair and overhaul of the General Electric F404 engines which power Canada's CF18 defence aircraft.

Contracts awarded during 1985 included \$36,300,000 in jet engine spare parts received during the first half of the year, \$15,000,000 for spare parts for the CF18 fighter aircraft received in July, and \$6,000,000 for jet engine compressor casings from the U.S. Air Force received in August.

Mining

Mining Products are manufactured by the company's wholly owned subsidiary **Dosco Overseas Engineering Ltd.** and its subsidiary, **Hollybank Engineering Co. Ltd.**, both of Tuxford, England, and **The Dosco Corporation** of Abingdon, Va. in the U.S. The prolonged British coal strike seriously affected the performance of these companies during 1984. The National Coal Board in the United Kingdom is a major customer for the companies' products. Export orders also were below expectation. In the United States, slow market conditions during 1984 postponed machine deliveries by The Dosco Corp.

Steel Castings and Forgings

Canadian Steel Wheel Division, also of Montreal, manufactures forged steel wheels for railway passenger and freight cars and locomotives for maintenance purposes as well as for new rolling stock. Wheels for maintenance purposes formed the bulk of the 1984 sales with some sales provided by wheels for new cars. Total production, while below plant capacity, improved during the year. Research into a new low-stress wheel continued and reached the initial forging stage.

Canadian Steel Foundries Division of Montreal, Que., is Canada's largest foundry, manufacturing steel castings for the railway, mining, energy and manufacturing industries. During 1984, the division had moderately increased activity in the railway castings sector but while total production increased over 1983, it remained much below plant capacity. Mining and industrial casting demand showed some improvement but the recession in the North American steel foundry industry continued.

Forestry

The Forestry Equipment Division has plants in Mississauga and Windsor, Ont. where it manufactures "Tree Farmer" log skidders and other forest harvesting equipment. Various models are sold in domestic and U.S. markets as well as exported overseas. The high level of forest product inventories slowed timber harvesting particularly in the U.S., thereby adversely affecting the performance of this division during 1984. Other factors which inhibited the division's operating results included a softening of the housing market, fluctuating interest rates and an over-supply of lumber at declining prices.

CAPITAL EXPENDITURES

Capital expenditures in recent years have been as follows:

1975	\$26,156,765	1980	\$31,283,000
1976	8,923,000	1981	32,639,000
1977	12,690,000	1982	10,148,000
1978	22,963,000	1983	10,793,000
1979	46,490,000	1984	21,462,000

Capital expenditures by industry segment have been as follows for the past two years:

	1984	1983
	— \$000's —	
Transport. & misc.	19,533	2,585
Mining	495	1,030
Castings & forgings	288	270
Forestry	964	6,777

ACCOUNTING CHANGES

In 1983, the company adopted a new format and began reporting changes in net cash and term deposits. Non-cash items are comprised of depreciation less

income tax payments and other items, plus income taxes and minority interest.

In 1982, the company adopted the accounting policy of including net unrealized exchange adjustments arising from translation of the financial statements of foreign subsidiaries directly in a separate account, "unrealized foreign currency translation adjustments", in shareholders' equity. Previously, such adjustments were included in income. As a result of this accounting change, net income for 1981 would have been \$22,030,000 or \$2.60 per common share before extraordinary items and \$22,974,000 or \$2.72 per common share after extraordinary items.

HISTORY

The company was incorporated under Dominion charter on Sept. 1, 1945 (continuance under the Canada Business Corporations Act by Certificate of Continuance issued July 1, 1980), under the name of A. V. Roe Canada Limited. Upon incorporation, the company was a wholly-owned subsidiary of Hawker Siddeley Group Limited, a major aircraft organization and manufacturer of industrial products in Great Britain.

In 1954, the company transferred its industrial operations to subsidiaries; the aircraft division becoming Avro Aircraft Limited, and the gas turbine division becoming Orenda Engines Limited. The company also purchased in that year all outstanding capital stock of Canadian Steel Improvement Limited.

In 1955, the company acquired all outstanding capital stock of Canadian Car & Foundry Company, Limited through an offer to purchase both class A and ordinary shares at \$30 per share.

Canadian Steel Foundries Limited (formerly Canadian Steel Foundries (1956) Limited) was established in 1955-56 to take over the steel foundry division of Canadian Car & Foundry Co. Ltd., and name of the latter was changed to Canadian Car Company.

Two new companies were established in 1956-57—Canadian Steel Wheel Limited and Canadian Thermo Control Company Limited. Canadian Applied Research Limited (formerly PSC Applied Research Limited) was acquired by the company during 1957.

In October, 1957, the company acquired approximately 77% of the common stock of Dominion Steel and Coal through a share exchange offer. (See under "Capital Stock Changes" for details.)

In 1957-58, Orenda Industrial Limited was formed as a wholly owned subsidiary of Orenda Engines Limited while Canadian Car (Pacific) Limited was formed as a subsidiary of the company. Both companies were a result of the merger of the Hawker Siddeley Group and Brush Group in the U.K.

In June, 1957, the company acquired a substantial block (150,000 shares, subsequently split 4-for-1) of stock of Algoma Steel Corp. Ltd. from the estate of the late Sir James Dunn. In November, 1958, 400,000 shares were sold to the public at \$32.50 per share; and in March, 1959, remaining holdings (246,800 shares) were disposed of at \$38.50 per share.

In February, 1959, the Canadian Government contract for development of the CF-105 "Arrow" military aircraft was cancelled. Planes which had been completed and those under construction were scrapped.

In January, 1961, the company, through Avro Aircraft Ltd., acquired the rights to produce automatic vending machines through agreement with Automatic Canteen Co. of America and its subsidiary, Rowe Manufacturing Co. Inc.

In March, 1961, management control of Richardson Boat Co. of North Tonawanda, N.Y., makers of pleasure craft, was acquired. This company went into bankruptcy in 1962, and Hawker discontinued motor yacht hull operations at Malton, Ont.

Commencing in 1961 the company undertook extensive internal reorganization, which by mid-1965 was virtually complete. The former wholly owned subsidiaries, Orenda Engines Limited, Canadian Applied Research, Canadian Car Company, Limited, Avro Aircraft Limited and Canadian Car (Pacific) Limited, became divisions of the parent company; which, as a result, became directly involved in operations. The reorganization in-

cluded internal transfer of certain manufacturing facilities, the most important of which was the transfer early in 1962 of rail car operations from the Montreal plant of Canadian Car to the Trenton, N.S., plant of Dominion Steel and Coal Co. The Montreal plant was cleared of manufacturing by transferring or eliminating the remaining product lines, and has since been operated as a real estate venture. Other aspects of the reorganization involved the addition of product lines in the wood-land products, industrial gas turbine, rapid transit cars and related fields and the cessation of ventures which proved to be no longer economically feasible such as aluminum boat hulls; small specialty forgings for the aircraft and related industries; and the air frame activities of the Avro Aircraft Division. Facilities of the latter were sold in 1962 to The de Havilland Aircraft of Canada Ltd. for \$13,590,971.

By S.L.P. dated May 1, 1962, the name of the company was changed from A. V. Roe Canada Limited to Hawker Siddeley Canada Ltd.

A new company, Orenda Limited, was formed in September, 1966, to take over production of aircraft engines and industrial turbines previously carried out by the Orenda Division of Hawker Siddeley at Malton, Ont. Hawker Siddeley held a 60% interest in the new company and the balance was held by United Aircraft Corporation of East Hartford, Conn.

The Sydney steel mill, which was formerly held by Dominion Steel and Coal Corp., Ltd., was acquired by the Nova Scotia Government effective Dec. 31, 1967, for \$14,305,325.

On Nov. 14, 1968, shareholders approved the sale of the company's 77% interest in Dominion Steel and Coal Corp. Ltd., to Sidbec, a corporation owned by the Province of Quebec, at \$11 per share. The total price of the transaction was \$25,109,370 satisfied by the receipt of \$20,109,370 on Jan. 31, 1969, and the issue by Sidbec of non-interest bearing notes for \$5,000,000 due Jan. 31, 1974. Loss on the sale of \$24,363,546 and related costs of \$1,335,285 were charged to retained earnings. As part of the sale agreement, the company undertook to purchase from Dosco a 77% interest in a new company, Hawker Industries Ltd., which was formed to acquire from Dosco, effective Jan. 1, 1968, its Halifax Shipyards, Trenton Works and Canadian Bridge Divisions, together with its colliery interests and Dosco Overseas Engineering Ltd. The colliery interests included all the issued common shares and 26,521 preferred shares of Dominion Coal Co., Ltd. and the assets of Old Sydney Collieries and Acadia Coal. The assets of Acadia Coal were sold. On March 30, 1968, virtually all of the operating assets of Old Sydney Collieries and those of Dominion Coal were expropriated. The shares of Hawker Industries were offered on a pro rata basis to all Dosco shareholders. By agreement, the company purchased 77% at \$5 a share and undertook to purchase any remaining shares not otherwise subscribed for. As a result, an interest of approximately 99% was acquired in Hawker Industries.

The company also offered to purchase from the debentureholders of Dosco, 10% of the outstanding debentures at a price of \$100 per \$100 principal amount of debentures. Under this offer which expired Mar. 7, 1969, the company acquired the following Dosco debentures: \$1,395,000 5% sinking fund debentures, Ser. A, due June 1, 1984; \$1,312,700 6% sinking fund debentures, Ser. B, due July 15, 1985; and \$858,750 (\$800,000 U.S.) 5% sinking fund debentures, Ser. C, due July 15, 1985.

By S.L.P. dated May 21, 1969, the capital loss of \$29,163,831 incurred on the Dosco sale was written off against common share capital. The result was that the deficit position of \$26,225,529 as at Dec. 31, 1968, was eliminated which enabled the company to resume payment of dividends at an earlier date than would otherwise have been feasible.

During 1969, the company's Canadian Car (Pacific) Division acquired the undertaking of Vancouver Industrial Controls Mfg. Co. Ltd., which was phased out of operation in 1975.

On Dec. 30, 1970, Dosco Overseas Engineering Lim-

ited acquired full ownership of Hollybank Engineering Company Limited of Aylesbury, England.

In 1971, the company set up a subsidiary, Canadian Car Pte. Limited, in Singapore to distribute woodlands equipment and parts in the Far East. Also in 1971, a sales company, Chip-N-Saw, Inc., was established in the U.S.

On June 22, 1972, the company acquired the remaining 50% interest in Canadian Steel Wheel Limited and on Sept. 29, 1972, the wholly owned subsidiary became a division of the company.

During 1973, the company acquired the remaining 40% interest in Orenda Limited, from United Aircraft Corporation. In addition, the company purchased all the patents pertaining to the Chip-N-Saw product line for close to \$1.6 million.

Effective Jan. 1, 1974, Orenda Limited became a division of the company.

During 1974, the company disposed of the Dominion Industrial Properties of Montreal.

On Aug. 30, 1978, the Government of Nova Scotia purchased certain assets of the company's Halifax Shipyards division.

On Oct. 2, 1978, the company and Hawker Industries Ltd. were amalgamated and continued under the name Hawker Siddeley Canada Ltd.

On Jan. 2, 1979, the company acquired Corinth Machinery Company, a sawmill equipment manufacturer in Mississippi.

On July 19, 1979, Tree Farmer Equipment Company, Inc. was incorporated as a wholly owned subsidiary of the company. On Oct. 1, 1979, this subsidiary acquired most of the then business and assets of Can-Car, Inc., which continued as a holding company for shares of other subsidiaries in the United States.

Effective Jan. 1, 1980, the company's wholly-owned subsidiary, Corinth Machinery Company, changed its name to American Sawmill Machinery Company and acquired the business and assets of the former Chip-N-Saw, Inc.

Effective July 1, 1980, the name of the company was changed from Hawker Siddeley Canada Ltd. to Hawker Siddeley Canada Inc.

In November 1980, the company completed the purchase of the business and most of the assets of B & K Machinery International Ltd. of Mississauga, Ont., for its B & K Machinery division.

In 1980, Canadian General Transit Company, Limited changed its name to CGTX Inc. and in early 1981, Chip-N-Saw, Inc. changed its name to B & K Machinery Inc.

On Jan. 5, 1983, the company and the Ontario Crown Corporation, Urban Transportation Development Corporation Ltd. (UTDC), agreed to form a joint venture company to build various types of passenger cars for urban transportation.

Manufacture of roll forming equipment at the B & K division, Mississauga, Ont. was to cease and that the assets would be offered for sale.

In Feb., 1983, the North American sawmill equipment businesses of the company carried on by the Canadian Car (Pacific) division in British Columbia and American Sawmill Machinery Company in the United States were sold along with assets of Kockums Industries in Canada and the United States to two new corporations, Kockums CanCar Inc. in Canada and Kockums CanCar Corp. in the United States. Hawker Siddeley Canada acquired 80% and Kockums Industries 20% interest in the two new companies.

On Jan. 3, 1984, the agreement entered into on Jan. 3, 1983 by the company and UTDC was closed and the fixed assets and inventories of the Canadian Car Division were sold to a subsidiary of UTDC for cash, notes and 20% of the voting shares of RailTrans Industries of Canada Ltd.

SUBSIDIARIES

(Note—All subsidiaries are 100% owned, directly or indirectly, by Hawker Siddeley Canada unless otherwise stated.)

Can-Car Inc. of Atlanta, Ga. and its subsidiaries:
Kockums CanCar Corp. (80% interest), which pro-

duces sawmill and lumber processing equipment from a plant in Talledega, Ala. Sales offices are located in Atlanta, Ga. and Vancouver, Wash., U.S.A. **The Dosco Corporation** of Abingdon, Va. which is active in the sales and service of mining and tunnelling machines and the manufacture of roof support systems for mine roadways and civil engineering tunnels. **Tree Farmer Equipment Company Ltd.** of Atlanta and Waycross, Ga. and McComb, Miss. in the U.S. sells and services log skidders and other forest harvesting equipment.

Dosco Overseas Engineering Company Ltd. of Tuxford, England, manufactures mining and tunnelling machines, and its subsidiary, **Hollybank Engineering Company Ltd.** also of Tuxford, England, manufactures roof support systems for mine roadways and civil engineering tunnels.

Kockums CanCar Inc. (80% interest) of Surrey, B.C., Burlington, Ont. and Montreal, Que. manufactures sawmill and lumber processing equipment.

CGTC Inc. (55% interest) of Montreal, Que., Toronto, Ont., Moose Jaw, Sask., Red Deer and Calgary, Alta. is active in full-service leasing and repair of railway tank cars and hopper cars.

Other Interests

RailTrans Industries of Canada Ltd.—20% interest.

OFFICERS AND DIRECTORS

Officers—Sir Arnold Hall, chm.; J. F. Howard, vice-chm.; R. F. Tanner, pres. & chief exec. off.; L. Francoeur, v-p. finance; L. T. Corey, P. K. Peterson, P. A. Delshammar, K. C. Miller, M. J. Colman, R. J. Gray, v-p's; K. R. Church, compt.; C. A. Haines, sec.; F. J. Sandford, treas.; Beth Budd, asst. sec. & legal counsel.

Directors—Sir Arnold Hall, London, Eng.; G. M. Armitage, Ruislip, Middlesex, Eng.; E. J. White, Oakville, Ont.; R. F. Tanner, L. Francoeur, Mississauga, Ont. A. H. Crockett, Toronto; L. Rochette, Quebec City, Que.; T. K. Shoyama, Victoria, B.C.; J. F. Howard, C. A. Haines, Woodbridge, Ont.; B. R. Bensly, Buckinghamshire, Eng.; A. W. McKenzie, Town of Mount Royal, Que.

CAPITAL STOCK

(As at Dec. 31, 1984)

	Author.	Outstand.
5% Preferred	140,000 shs.	140,000 shs.
Preferred	Unlimited	nil
Common	Unlimited	8,150,301 shs.

5% Cumulative Redeemable Preferred:

Entitled to \$5.75 per annum, cumulative from Sept. 12, 1957; payable quarterly Jan., Apr., July and Oct. 2.

In the event of liquidation, dissolution or winding-up of the company, entitled to \$100 plus accrued and unpaid dividends.

Redeemable on 30 days' notice in whole or in part at 105 plus all accrued and unpaid dividends. The company may purchase shares on the open market or by tender at any time at the lowest price obtainable, in the opinion of the board of directors, not exceeding 105 plus costs of purchase.

Conversion privilege—Preferred shares, first series, were originally convertible into common shares at the holder's option on or before Sept. 12, 1961, at the rate of five common shares for each preferred share (\$20 per share); and thereafter on or before Sept. 12, 1965, at the rate of four common shares for each preferred share (\$25 per share), after which the conversion feature expired.

Nonvoting unless eight quarterly dividends in arrears, whether or not consecutive, when entitled to one vote per share until such time as all arrears of dividends are paid.

No dividends are to be paid or set apart for payment

on any shares ranking junior to the preferred shares, first series, unless all dividends have been paid on said shares, nor shall the company call for redemption or purchase for cancellation or reduce or otherwise pay off any of the preferred shares, first series, less than the total number then outstanding or any junior shares unless all dividends on the preferred shares, first series, are paid to date.

Purpose of Issue—Net proceeds applied toward payment for securities of Dominion Steel and Coal Corporation, Ltd., and the balance, if any, for general corporate purposes.

Offered—In Sept., 1957, a total of 240,000 shares sold at par; of which 200,000 shares taken up by Racair Ltd. (a subsidiary of Hawker Siddeley Group PLC.) and 40,000 shares offered publicly, by Wood, Gundy & Co. Ltd.

Preferred—An unlimited number authorized and ranking junior to 5% cumulative redeemable preferred stock.

Common—Voting stock.

CAPITAL STOCK CHANGES

In September, 1957, a new issue of 240,000 5% cumulative convertible-redeemable preferred shares \$100 par, was sold at \$100 per share, following shareholders' approval granted at a meeting held Aug. 29, 1957. This included 200,000 shares sold to Racair Ltd., of which 100,000 shares were converted into 500,000 common shares on Jan. 2, 1958.

At the same time, authorized common share capital was increased to 10,000,000 from 7,500,000 shares.

Share Exchange Offer—In August, 1957, the company made an offer to holders of ordinary shares and debentures of Dominion Steel and Coal Corporation Limited to acquire same on the basis of 1% common shares plus \$10.25 for each ordinary share, 31% common shares plus \$199.75 for each \$500 4% debenture and 68% common shares plus \$574.46 for each \$1,000 4% debenture. The offer, which was scheduled to expire on Oct. 1, 1957, was extended to Oct. 9, 1957, at which time the company announced it had gained control of approximately 77% of the outstanding shares of Dosco.

Common shares issued upon exercise of options totaled 3,250 shares in 1964, 450 shares in 1965, 1,200 shares in 1966 and 12,000 shares in 1973. As a result, capital stock outstanding at Dec. 31, 1974 was 140,000 preferred and 8,129,341 common shares.

By S.L.P. dated Sept. 30, 1976, the common shares were reclassified as class A convertible common shares and the authorized capital increased by creating 10,000,000 class B common convertible shares.

Upon amalgamation, Oct. 2, 1978, preferred and class A and B common convertible shares of the company were all converted into corresponding shares of the amalgamated company on a share-for-share basis. Minority shareholders of Hawker Industries Ltd. received two class A common shares of the amalgamated company for each common share held, resulting in the issue of 7,960 class A shares. Also during 1978, 13,000 class A shares were issued on the exercise of stock options. After giving effect to various interconversions, capital stock outstanding at Dec. 31, 1978 consisted of 140,000 preferred shares, 7,728,405 class A common and 421,896 class B common shares.

By S.L.P. dated July 4, 1979, authorized and issued class A and B common convertible shares were reclassified as a single class of common shares, without nominal or par value.

Through issuance of Certificate of Continuance dated July 1, 1980, the company continued under the Canada Business Corporations Act. As a result, authorized common stock became unlimited and a new class of an unlimited number of preferred shares was authorized.

PRICE RANGE OF STOCK

Common*

Year	High	Low	Year	High	Low
1976	\$8.50	\$4.30	1981	\$29.00	\$9.50
1977	6.63	4.50	1982	15.00	7.38
1978	9.75	5.63	1983	21.00	14.13
1979	17.88	8.50	1984	20.00	15.88
1980	29.50	15.00	1985	22.75	16.75

*To Dec. 3, 1985.

*Designated as class A common from Sept. 30, 1976 to July 4, 1979.

5% Preferred

Year	High	Low	Year	High	Low
1976	\$58.63	\$53.63	1981	\$55.00	\$41.00
1977	66.00	57.25	1982	48.25	36.00
1978	72.00	59.00	1983	58.00	47.00
1979	72.00	58.00	1984	59.00	53.00
1980	65.00	52.00	1985	69.00	57.00

*To Dec. 3, 1985.

DIVIDENDS

5% Preferred—Entitled to \$5.75 per share per annum, cumulative from Sept. 12, 1957. Initial payment of \$1.76½ paid Jan. 2, 1958; payments of \$1.43½ paid regularly quarterly thereafter to and including Jan. 2, 1968. Subsequent dividends were deferred until Dec. 16, 1969, when regular quarterly payments of \$1.43½ were resumed to and including Dec. 18, 1970. The first two payments in 1971 were omitted but a regular quarterly payment of \$1.43½ was made on Oct. 2, 1971, and regularly quarterly since.

Payments on arrears totaled \$1.43½ on Dec. 18, 1970, and \$4.31½ on Mar. 30 and on June 30, 1971. A final payment of \$2.87½ was made on Oct. 2, 1971, eliminating arrears on the preferred shares.

Dates Payable—Jan., Apr., July and Oct. 2 (approximately).

Common—Present rate is 96 cents per share per annum established with the quarterly payment of 24 cents per share on Apr. 11, 1980. Previously a quarterly dividend of 20 cents paid Jan. 18, 1980.

Initially, dividends at the rate of 80 cents per share per annum (20 cents quarterly) were paid regularly Jan., Apr., July and Oct. 2, from Jan. 2, 1957, to and including Jan. 2, 1959. Quarterly payments of 10 cents per share were made on April 2 and July 2, 1959. No further dividends were paid until 10 cents per share was paid on June 27, 1972. Subsequently, quarterly dividends of four cents per share were paid on April 16 and July 16, 1973, and quarterly payments of six cents

per share were made on Oct. 16, 1973, and Jan. 16, 1974. Quarterly payments of eight cents per share were made from Apr. 16, 1974, to Jan. 16, 1975, inclusive. A rate of 36 cents per share per annum was paid quarterly from Apr. 16, 1975, to Oct. 15, 1976, the last payment before reclassification.

Following reclassification as class A common stock, 36 cents per share per annum was paid quarterly from Jan. 21, 1977 to Oct. 14, 1977, inclusive. An annual rate of 40 cents per share was paid Jan. 20, 1978 to Oct. 16, 1978, inclusive. Quarterly dividends of 12 cents per share paid Jan. 19 and Apr. 13, 1979; and 15 cents per share paid July 13 and Oct. 12, 1979. A quarterly dividend of 20 cents per share was paid Jan. 18, 1980.

Prior to reclassification to common shares, July 4, 1979, class B common shares were paid at an equivalent rate to class A common shares, but on a tax-deferred basis to Oct. 16, 1978. For tax-deferred payments, see table.

Dates Payable—Jan., Apr., July and Oct. 16 (approximately).

TAX-DEFERRED DIVIDENDS

Amount	Paid On	Record
Class B		
\$0.09*	Jan. 21/77	Dec. 31/76
0.09	Apr. 15/77	Mar. 25/77
0.09	July 15/77	June 24/77
0.09	Oct. 14/77	Sept. 23/77
0.10	Jan. 20/78	Dec. 30/77
0.10	Apr. 14/78	Mar. 24/78
0.10	July 14/78	June 23/78
0.10	Oct. 16/78	Sept. 26/78

*Initial.

LONG-TERM DEBT

At Dec. 31, 1984, total long-term debt was \$58,899,000, of which \$6,579,000 was due in one year. Details as follows: \$45,099,000 in debt of 55% owned CGTX, comprised of: \$9,009,000 (\$6,825,000 U.S.) in first mortgage sinking fund equipment notes at 5% to 10¼% due to 2000 and \$36,090,000 at 6¾% to 11¼% due to 1999. Other debt consisted of \$13,800,000 in a promissory note owing to an affiliated company at ¾% below Canadian prime rate, due to 1992.

Maturities of debt at Dec. 31, 1984, were: 1986, \$6,348,000; 1987, \$5,767,000; 1988, \$5,536,000; 1989, \$5,337,000 and 1990 to 2000, \$29,332,000.

INTERIM EARNINGS

Year	Net Sales	Net Inc. Oper.	Earns. per Com. Sh.	Net Sales	Net Inc. Oper.	Earns. per Com. Sh.	Net Sales	Net Inc. Oper.	Earns. per Com. Sh.
	3 months			6 months			9 months		
	\$000's		\$—	\$000's		\$—	\$000's		\$—
1978	91,517	2,159	0.24	186,022	4,923	0.56	276,380	186,022	0.56
1979	116,104	4,459	0.52	254,129	13,271	1.58	383,086	22,918	2.74
1980	164,649	8,811	1.06	312,545	15,410	1.84	410,964	18,432	2.19
1981	179,137	3,816	0.44	364,654	7,095	0.82	519,032	16,258	1.92
1982	124,604	2,998	0.34	228,491	5,647	0.64	335,452	8,601	0.98
1983	94,428	2,457	0.28	190,256	5,087	0.57	312,965	9,111	1.04
1984	115,708	5,629	0.67	207,013	9,568	1.12	289,377	13,307	1.56
1985	86,966	2,751	0.31	190,937	7,166	0.83	292,279	10,137	1.17

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Years Ended December 31

	1984	1983	* 1982
	(\$000's)		
Source:			
Income before income taxes, minority interest and extraordinary items	35,797	38,747	32,741
Items not affecting funds—			
Depreciation	14,097	14,160	13,834
Other	1,208	(701)	259
	51,102	52,206	46,834
Change in working capital items excluding net cash and short term deposits ..	(663)	71	11,097
	50,439	52,277	57,931
Income tax payments	25,646	7,131	7,760
Funds generated from operations	24,793	45,146	50,171
Proceeds on disposal of fixed assets	2,498	14,811	1,434
	27,291	59,957	51,605
Application:			
Addition to fixed assets—			
Railway rolling stock leasing fleet	14,605	894	3,809
Fixed assets acquired from minority shareholders in subsidiaries	...	6,174	...
Plant and equipment	6,857	3,725	6,339
Increase (decrease) in investments	(822)	5,045	(50)
Miscellaneous	235	1,733	340
	20,875	17,571	10,438
	6,416	42,386	41,167
Unrealized foreign currency translation loss on net current assets of foreign subsidiaries	(6,618)	(4,503)	(6,590)
Funds generated (absorbed) before the following	(202)	37,883	34,577
Share capital issued to (redeemed from) minority shareholders of subs.	(4,498)	12,288	...
Long term debt repayments	(6,818)	(6,367)	(6,367)
Dividends paid to—			
Shareholders of Hawker Siddeley Canada Inc.	(8,629)	(8,629)	(8,629)
Minority shareholder of a subsidiary	(1,152)	(1,152)	...
	(21,097)	(3,860)	(14,996)
Changes in net cash and short term deposits	(21,299)	34,023	19,581
Net cash and short term deposits, beginning of year	63,863	29,840	10,259
Net cash and short term deposits, end of year	42,564	63,863	29,840

*As shown in the 1983 annual report.

Note—In 1983, the company reported changes in net cash and term deposits. See "Accounting Changes".

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
Years Ended December 31

	1984	1983	1982	1981	1980	1979	1978
	-\$000's						
Net sales	411,514	445,348	425,562	638,987	547,037	539,963	398,321
Add: Invest. income	5,532	4,586	2,801	3,333	3,685	1,519	1,131
Less: Cost of sales, etc.	359,751	389,497	371,248	580,643	481,102	471,011	356,496
Net before deprec., etc.	57,295	60,437	57,115	61,677	69,620	70,471	42,956
Less: Depreciation	14,097	14,160	13,834	13,437	13,580	12,044	10,667
L.-t. debt interest	4,876	7,010	8,662	9,750	6,580	4,771	3,653
Other interest	2,525	520	1,878	9,562	8,018	3,659	849
Income tax: Current	14,865	17,207	11,702	1,195	15,780	16,407	7,322
Deferred	□ 2,249	3,977	6,209	4,097	2,657	2,527	4,920
Minority interest	3,713	2,507	1,925	1,606	1,563	1,651	1,148
Add: Exchange gain				d7,373	3,197	1,457	2,721
Net income, operations	19,468	15,056	12,905	14,657	24,639	30,869	17,118
Extraordinary items*:							
Add: Inc. tax reduction							960
Gain on properties		1,401		944		213	
Less: Prov'n loss		1,044	1,512			1,047	□ 2,340
Net income	19,468	15,413	11,393	15,601	24,639	30,035	20,418
Add: Previous ret. earns.	121,848	115,064	112,614	105,642	89,632	65,455	49,262
Less: Preferred divs.	805	805	805	805	805	805	805
Common divs.	7,824	7,824	7,824	7,824	7,824	5,053	3,420
Acctg. adjust.■			314				
Retained earnings	132,687	121,848	115,064	112,614	105,642	89,632	65,455

□ Credit. ■ See "Accounting Changes".

*Extraordinary items in 1983 comprise a net gain on sale of assets of \$1,401,000, a provision of \$1,452,000 for loss on discontinued items and a reversal of \$408,000 on a prior loss provision. In 1982, provisions of \$3,280,000 (\$1,705,000 after taxes) for estimated losses on discontinued operations less recovery of \$372,000 (\$193,000 after taxes). In 1981, extraordinary gain comprised \$2,115,000 on sale of property less \$528,000 and \$643,000 for income tax and minority interest, respectively.

Remuneration—Of officers and directors has been as follows: \$1,400,463 in 1984; \$1,410,581 in 1983; \$1,269,680 in 1982; \$1,155,088 in 1981; \$1,043,498 in 1980; \$909,236 in 1979 and \$714,524 in 1978.

Times Interest Earned:

Before deprec. & amort.	7.74	8.03	5.42	3.19	4.77	8.36	9.54
After deprec. & amort.	5.84	6.15	4.11	2.50	3.84	6.93	7.17

Earnings per Share■:

(A) Based on net income, operations							
Pref.: Times earned	t24.18	t18.70	t16.03	t18.21	t30.61	t38.35	t21.26
Common●	\$2.29	\$1.75	\$1.48	\$1.70	\$2.92	\$3.69	\$2.01
(B) Based on net income							
Pref.: Times earned	t24.18	t19.15	t14.15	t19.38	t30.61	t37.31	t25.36
Common●	\$2.29	\$1.79	\$1.30	\$1.82	\$2.92	\$3.59	\$2.41

●Classified as class A and B common stock from Sept. 30, 1976 to July 4, 1979.

■Based on average number of shares outstanding during the year.

Dividends Paid or Declared:

5% Preferred	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75
Class A						0.27	0.40
Class B						0.27	▲0.40
Common●	0.96	0.96	0.96	0.96	0.96		

●Classified as class A and B common stock from Sept. 30, 1976 to July 4, 1979.

▲Tax-deferred.

Shares Outstanding:

5% Preferred, \$100 par	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Common●	8,150,301	8,150,301	8,150,301	8,150,301	8,150,301	8,150,301	8,150,301

●Classified as class A and B common stock from Sept. 30, 1976 to July 4, 1979.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31

	1984	1983	1982	1981	1980	1979	1978
	\$000's						
Assets							
Current:							
Cash & s.-t. depts.	43,842	68,181	32,575	21,398	8,508	13,465	12,541
Accounts receivable	63,571	71,201	65,065	89,701	87,412	87,857	67,671
Inventories\$	82,140	89,944	90,411	112,730	162,711	139,788	96,772
Inc. taxes recoverable	354	332	1,088	3,003	.....	.....	.....
Loans to affiliates .....	.....	.....	.....	.....	11,433	.....	.....
Prepaid expenses	2,973	2,936	2,181	2,190	2,771	2,432	2,559
	192,880	232,594	191,320	229,022	272,835	243,542	179,543
Debs. of Sidbec-Dosco at cost	5,707	7,278	3,008	3,051	3,094	3,137	3,180
Unamort. debt disc. ....	.....	.....	513	559	579	497	417
Fixed assets:							
Land & land improve.	7,761	7,723	8,628	7,605	7,669	7,795	7,425
Buildings	46,881	47,465	49,275	49,408	49,809	47,715	45,771
Equipment	95,533	92,614	97,323	95,980	89,938	80,518	75,622
Rail. rolling stk. leasing fleet	212,545	206,754	213,461	211,484	190,277	176,333	142,304
Less: Accum. deprec.	172,064	167,793	168,308	157,306	147,233	137,777	129,708
	190,656	186,763	200,379	207,171	190,460	174,584	141,414
	389,243	426,635	395,220	439,803	466,968	421,760	324,554
Liabilities							
Current:							
Due bank	1,278	4,318	2,735	11,139	47,487	28,764	503
Accts. pay. & accr.	51,355	68,249	60,124	75,109	73,202	90,415	71,506
Dividends payable	2,157	2,157	2,157	2,157	2,157	1,831	1,179
Adv. on sales contracts	1,295	1,442	5,637	9,381	7,440	6,188	15,709
Inc. and other taxes pay.	12,156	25,424	17,773	19,096	23,408	22,870	9,218
Long-term debt, due 1 yr.	4,879	5,054	6,367	6,367	6,367	4,571	3,878
Due to affil. cos.	2,791	2,600	653	15,235	8,646	4,231	2,599
	75,911	109,244	95,446	138,484	168,707	158,870	104,592
Unfunded pension reserve▼	2,245	2,405	2,577	2,786	3,036	3,311	3,606
Minority interest	31,059	32,747	19,083	17,158	14,909	13,600	12,963
Long-term debt, net	52,320	58,353	64,224	70,591	71,958	57,408	41,479
Deferred income tax	38,517	40,934	34,373	29,787	34,333	30,556	28,076
	389,243	426,635	395,220	439,803	466,968	421,760	324,554
Shareholders' Equity							
Capital Stock:							
5% Preferred	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Common	54,383	54,383	54,383	54,383	54,383	54,383	54,320
Retained earnings	132,687	121,848	115,064	112,614	105,642	89,632	65,455
Less: Unrealized curr. adjust.	11,879	7,279	3,930	.....	.....	.....	.....
	389,243	426,635	395,220	439,803	466,968	421,760	324,554
▼Pensions paid for unfunded past service and charged to the reserve totaled \$160,000 in 1984; \$172,000 in 1983; \$209,000 in 1982; \$250,000 in 1981; \$275,000 in 1980; \$295,000 in 1979 and \$404,000 in 1978.							
§At lower of cost and estimated realizable value, less progress payments.							
Working capital (\$000's):							
Current assets	192,880	232,594	191,320	229,022	272,835	243,542	179,543
Current liabilities	75,911	109,244	95,446	138,484	168,707	158,870	104,592
Working capital	116,969	123,350	95,874	90,538	104,128	84,672	74,951
Ratio	2.54—1	2.13—1	2.00—1	1.65—1	1.62—1	1.53—1	1.72—1
Equities:							
Net worth* (\$000's)	189,191	182,952	179,519	180,997	174,025	158,015	133,838
5% Preferred	\$1,351.36	\$1,306.80	\$1,282.26	\$1,292.84	\$1,243.04	\$1,128.68	\$955.99
Common	21.50	20.73	20.31	20.49	19.63	17.67	14.74

*Available for the capital stock; based on shareholders' equity. Preferred stock deducted at \$100 per share before calculating equity per common share.

HISTORICAL SUMMARY

(As originally stated in company's annual reports for the respective years)

Fiscal Year	Total Assets	Net Fixed Assets	Shldrs' Equity	Working Capital	Net Sales	Net Inc. Oper.	Earns. per Com. Sh.	Price Range	High	Low
			\$000's				\$	\$	\$	\$
1956 ..	101,331	63,807	53,972	11,283		8,954	2.11	□ 18.13	□ 16.00	
1957 ..	145,755	65,252	66,364	889		7,177	1.51	25.50	10.25	
1958 ..	310,401	161,773	139,713	39,541		8,283	0.92	15.88	12.00	
1959 ..	286,771	159,700	139,773	56,546		5,821	0.61	13.63	6.50	
1960 ..	270,720	152,963	130,735	58,894		d3,889	d0.53	6.88	4.30	
1961 ..	255,249	137,756	121,517	54,891	219,457	d3,663	d0.55	8.13	4.50	
1962 ..	240,289	120,568	122,079	65,733	227,670	1,367	0.07	7.25	3.75	
1963 ..	242,554	122,589	123,465	64,554	220,138	2,192	0.17	7.50	4.65	
1964 ..	273,575	136,540	125,702	71,458	245,257	3,020	0.27	8.75	5.63	
1965 ..	305,554	145,981	128,320	85,923	267,507	3,420	0.32	7.25	5.00	
1966 ..	320,083	168,367	129,811	67,518	279,107	2,271	0.18	6.88	3.50	
1967 ..	289,796	154,891	102,275	47,032	256,803	d6,680	d0.92	5.00	2.85	
1968 ..	211,963	92,343	128,501	34,230	172,475	2,938	0.26	4.80	2.80	
1969 ..	195,636	98,465	77,081	34,466	188,061	1,233	0.05	4.75	2.70	
1970 ..	191,219	105,863	79,010	31,423	182,484	2,489	0.21	3.05	1.65	
1971 ..	205,841	104,552	80,842	32,536	158,238	1,845	0.14	3.45	2.00	
1972 ..	210,797	109,924	82,770	31,390	209,398	3,084	0.28	4.55	2.50	
1973 ..	225,874	110,623	89,852	37,169	253,627	6,204	0.66	6.00	3.90	
1974 ..	273,517	122,807	96,252	37,916	325,015	9,261	1.04	7.50	3.85	
1975 ..	282,207	134,798	104,383	45,353	365,234	10,348	1.17	7.38	3.95	
1976 ..	269,954	132,746	107,655	48,607	335,081	6,351	0.68	8.50	4.30	
1977 ..	298,004	133,053	117,582	55,836	362,689	16,326	1.91	6.63	4.50	
1978 ..	324,554	141,414	133,838	74,951	398,321	17,118	2.01	9.75	5.63	
1979 ..	421,760	174,584	158,015	84,672	539,963	30,869	3.69	17.88	8.50	
1980 ..	466,968	190,460	174,025	104,128	547,037	24,639	2.92	29.50	15.00	
1981 ..	439,803	207,171	180,997	90,538	638,987	14,657	1.70	29.00	9.50	
1982 ..	395,220	200,379	179,517	95,874	425,562	12,905	1.48	15.00	7.38	
1983 ..	426,635	186,763	182,952	123,350	445,348	15,056	1.75	21.00	14.13	
1984 ..	389,243	190,656	189,191	116,969	411,514	19,468	2.29	20.00	15.88	

□ Listed Oct. 29, 1956. ▲5 month period due to change in year-end to December 31.

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